

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 30, 2011
POSITION: Oppose
SPONSOR: Humane Society of the United States

BILL NUMBER: AB 564
AUTHOR: C. Smyth

BILL SUMMARY: Income Taxes: Municipal Shelter Spay-Neuter Fund

This bill would reestablish the Municipal Shelter Spay-Neuter Fund and add it to the personal income tax return as a voluntary contribution for providing low cost or free spay or neuter services, as specified.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates that this bill could reduce personal income tax revenues by about \$20,000 annually beginning in 2012-13. This bill is not expected to significantly affect the operating costs of the FTB and the State Controller's Office. The California Department of Food and Agriculture (CDFA) estimated that this bill could result in additional administrative costs of about \$10,000 in the first year and \$15,000 annually thereafter. The CDFA's estimate excludes advertising costs which could make it significantly higher.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 6, 2011 version are minor and do not alter our position.

COMMENTS

The Department of Finance opposes this bill because it would result in \$20,000 annual General Fund revenue loss beginning in 2012-13 as well as additional administrative costs for the CDFA. This fund was previously on the return and did not meet the minimum threshold of contributions.

Analyst/Principal (0727) P. Ng	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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ANALYSIS

A. Programmatic Analysis

Existing state law permits taxpayers to make contributions of their own funds on their tax returns to fifteen voluntary contribution funds. Taxpayers simply check-off on their tax forms where they would like the money donated. Unlike the federal tax check-off, which directs a portion of the taxpayer's tax to the presidential election fund and does not affect the taxpayer's tax liability or refund amount, the state tax check-off is a donation of the taxpayer's own money that permits an itemized deduction in the following year for personal income tax purposes. Currently available "check-off" funds are listed below. Applicable sunset dates are noted in parenthesis.

1. Alzheimer's Disease/Related Disorders Fund (1/1/2015)
2. Arts Council Fund (1/1/2013)
3. California Breast Cancer Research Fund (1/1/2013)
4. California Cancer Center Research Fund (1/1/2013)
5. California Firefighters' Memorial Fund (1/1/2016)
6. California Fund for Senior Citizens (1/1/2015)
7. California Peace Officer Memorial Foundation Fund (1/1/2016)
8. California Police Activities League Fund (1/1/2013)
9. California Sea Otter Fund (1/1/2012)
10. California Seniors Special Fund (none)a/
11. California Veterans Homes Fund (1/1/2013)
12. Emergency Food for Families Fund (1/1/2014)
13. Rare and Endangered Species Preservation Fund (1/1/2013)
14. Safely Surrendered Baby Fund (1/1/2013)
15. State Children's Trust Fund for the Prevention of Child Abuse (1/1/2013)

a/ The California Seniors Special Fund check-off is permanent and taxpayers are allowed to donate all or part of their senior exemption credit.

Current law allows the Franchise Tax Board (FTB) to add contingent income tax check-offs to the return if there is room to do so, regardless of how many check-offs were removed from the return that year. When adding contingent check-offs to the return, the FTB follows a statutory ordering rule based on the date of enactment for voluntary contribution designations to be added to the tax form. The first check-off added is based on the earliest date of enactment or the lowest chapter number if enacted on the same date.

Generally, the check-offs are required to meet a minimum contribution test of \$250,000 on an annual basis. The intent of the \$250,000 minimum contribution requirement (except for California Fund for Senior Citizens, this amount is adjusted for inflation in subsequent tax years) is to ensure that check-off funds have sufficient public support to warrant continued placement on the tax return. The California Firefighters' Memorial Fund and the California Peace Officer Memorial Fund are required to meet the contribution test only when their respective repeal dates are deleted by another statute. Only the California Seniors Special Fund on the above list is not subject to the minimum contribution requirement.

Chapter 328, Statutes of 2008 (AB 2291) established the check-off for Municipal Shelter Spay-Neuter Fund and added to the 2008 tax return. It last appeared on the 2009 tax return because the FTB estimated that the fund would not meet the required \$250,000 minimum contribution amount for the 2010 calendar year. Accordingly, the fund was repealed effectively January 1, 2010.

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This bill would reestablish the Municipal Shelter Spay-Neuter Fund (Fund) and add it to the personal income tax (PIT) return as a voluntary contribution fund. Taxpayers would be able to designate a contribution in excess of the tax liability to the Fund on their PIT return in full dollar amounts of \$1 or more. Upon Legislative appropriation and after reimbursing the Franchise Tax Board and the State Controller's Office for their administrative costs, contributions to the Fund would be transferred to the to the California Department of Food and Agriculture (CDFA) for distribution to eligible municipal shelters. The CDFA may use up to five percent of the money allocated to municipal shelters for additional administrative costs as a result of this bill.

Eligible municipal shelter would be defined as city or county animal control agencies or shelters that are current on its reporting requirements to the State Department of Public Health, Veterinary Public Health Section, and offer spay and neuter services for dogs and cats owned by individual members of the public. The CDFA would be required to process applications for grants from eligible municipal shelters on a first-come-first serve basis. The amount of grant to be received by an eligible municipal shelter would be based the numbers of dogs and cats it processes yearly, as specified.

This bill would require the Franchise Tax Board (FTB) to revise the tax return to include a check-off space for the Municipal Shelter Spay-Neuter Fund (Fund) beginning with the first taxable year another voluntary contribution fund is removed, or as soon as space is available.

This bill would allow the voluntary contribution designation to remain on the tax return for up to five years unless a later enacted statute deletes or extends that date. Beginning with second tax year the Fund is on the return, this bill would require the Fund to meet the minimum contribution test of \$250,000 (adjusted for inflation in subsequent tax years) on an annual basis. Otherwise, the law authorizing designations to this fund would be repealed.

This bill would require FTB to do the following by September 1 of the second and each subsequent calendar year that this check-off appears on the tax return:

- Determine the minimum contribution amount required to be received during the next calendar year for the fund to remain on the return.
- Notify the CDFA the minimum contribution amount required for the next calendar year.
- Determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year.

This bill would also encourage tax preparers to inform their clients in writing that they may make a contribution to the any voluntary contribution on the state income tax return if they so choose.

B. Fiscal Analysis

To the extent contributions would not be made to another charity in the absence of this voluntary contribution, this bill would increase itemized deductions and reduce revenues by a minor amount. The FTB estimates that personal income tax revenues would be reduced by approximately \$20,000 annually beginning in 2012-13 as a result of this bill.

Because the FTB and the State Controller's Office would be reimbursed for their administrative costs, this bill is not expected to significantly affect the operating costs of the FTB or the State Controller's Office. The CDFA estimated that this bill could result in additional administrative costs of about \$10,000 in the first year and \$15,000 annually thereafter. The CDFA's estimate does not include costs for advertising the program which could make it significantly higher.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
1147/Pers Inc Tax	RV	Yes		--	U	-\$20	U	-\$20	0001
1730/FTB	SO	No		-----	No/Minor Fiscal Impact	-----			8055
0840/Controller	SO	No		-----	No/Minor Fiscal Impact	-----			8055
8570/Food & Ag	SO	No		-----	See Fiscal Analysis	-----			0001

Fund CodeTitle

0001

General Fund

8055

Municipal Shelter Spay-Neuter Fund